The First "Maekawa" Report

The Report of the Advisory Group on Economic Structural Adjustment for International Harmony

April 7, 1986

This Advisory Group was requested by the Prime Minister on October 31, 1985, to conduct a study on policy measures from medium- and long-term perspectives concerning Japan's economic and social structure and management in response to the recent environmental changes surrounding Japan in the international economic situation.

Accordingly, the group has met 19 times during the last five months to hold free discussions among its members. Following is the report on the result of those discussions.

I. Background

1. The Japanese Economy Today

Having achieved very rapid economic growth in the forty years since the end of the war, Japan today occupies an important position within the international community. Japan's international balance-of-payments has tended to show increasing current account surpluses in the 1980s. In 1985 in particular, this surplus was unprecedently large, i.e., 3.6 percent of GNP. It is imperative that we recognize that continued large current account imbalances create a critical situation not only for the management of the Japanese economy, but also for the harmonious development of the world economy. The time has come for Japan to make a historical transformation in its traditional policies on economic management and the nation's life-style. There can be no further development for Japan without this transformation.

2. A National Goal for Japan

Setting as a medium-term national goal, the government should announce its determination both domestically and internationally to attain the goal of steadily reducing the nation's current account imbalance to one consistent with international harmony. The large current account surplus is basically linked with Japan's economic structure, which is export-oriented. And there is an urgent need for Japan to implement drastic policies for structural adjustment and to seek to transform the Japanese economic structure into one oriented toward international coordination.

The process of achieving this goal should also entail efforts to enhance the quality of the nation's living standard; it is imperative for us to realize that our success in achieving this goal will be essential in determining Japan's future in the international community. In all of this, Japan should undertake responsibilities commensurate with its economic position and strive for harmonious co-existence within the world economy, as well as working to contribute to the world community not only economically but also in the scientific and technological, cultural and academic fields.

This group, [illegible] recommends a number of specific steps that the government should take in keeping with the following principles for the attainment of this goal.

3. Principles

In making these recommendations, we have kept in mind the need to achieve these policy goals through balanced economic growth and the resultant import expansion to maintain and strengthen the free trade system and to work for sustained and stable world economic growth.

(1) Policies Based Upon Market Principles

In order to make Japan more internationally open, policies based upon market mechanisms should be implemented from the view point of "freedom in principle, restrictions only as exceptions." Accordingly, further improvement in market access and thorough promotion of deregulation should be carried out.

(2) Policies From A Global Perspective

Believing that the Japanese economy can only develop within a context of sustained and stable growth of the world economy, we find it imperative that Japan rectify its economic stucture on its own initiative. At the same time, we believe that world economic growth requires efforts and cooperation of all countries, and policy coordination must be achieved in structural adjustment and other fields.

(3) Continued Long-Term Efforts

Since the process of reforming the economic structure and improving the basic character of our economy is a long-term one, efforts to this end should be made continuously and from a long-term perpective. However, relevant policy must be initiated as soon as possible.

II. Recommendations

In seeking to orient the economy toward international harmony and to make Japan an international state, it is imperative that -- along with striving for economic growth led by domestic demand -- the government promote basic transformations in the nation's trade and industrial structure. At the same time, the government must work for the realization and stabilization of the exchange rate at an appropriate level and must further promote the liberalization and internationalization of the nation's financial and capital markets. Furthermore, it is important for Japan to contribute activily to the well-being of the world community through international cooperation. In the implementation of these recommendations, fiscal and monetary policy -- including taxation -- also have a significant part to play. Especially, the preferential tax treatments for saving should be fundamentally reviewed.

1. Expanding Domestic Demand

Promoting the transformation from export-led economic growth to that driven by domestic demand requires that the government put firmly into place domestic demand expansion policies that have large multiplier effects and will lead to increased private consumption.

(1) Promoting Housing Policies and Urban Development

Efforts should be made toward a fundamental reform in Japanese housing policy; strengthening and broadening of measures to promote housing is required. In large urban centers in particular, creation of new residential areas closer to offices by redeveloping existing areas and construction of new residential neighborhoods are to be promoted. Also, urban facilities are to be expanded and improved. There are a number of points which should be kept in mind in carrying out these efforts:

A. The scale of such projects is to be expanded centering on the mobilization of private-sector vitality. Steps must, therefore, be taken to ease regulations and to provide pump-priming financial incentives.

B. Tax deductions should be expanded for acquisition of houses.

C. Measures should be taken to keep land prices stabilized, e.g., re-zoning of urban areas, relaxing local government residential development guidelines, and easing the restrictions on building size and land use.

D. Efforts should be made to accelerate the settlement of problems arising from land use among those concerned.

(2) Stimulating Private Consumption

Along with the appropriate distribution of economic growth in wages, tax cuts increasing disposable income are effective in expanding private consumption. People should have more free time through reduced working hours, and the active use of paid leaves for longer periods should be encourage. The total working hours per year in line with the industrialized countries of Europe and North America and early realization of complete five-day work weeks should be pursued in the private sector, while efforts should be made for speedy implementation of these policies in the public and financial sectors.

(3) Promoting Social Infrastructure Investment by Local Government

A radical increase in the capital formation by local governments is essential to spreading nationwide the impact of stronger demand. Accordingly, in order to promote infrastructure developments, local independent works should be enlarged by making use of local government loans.

2. Transformation to an International Harmonious Industrial Structure

The shift to an internationally harmonious trade and industrial structure should basically be pursued through market mechanisms, but additional efforts should also be made through the following measures:

(1) Promoting Transformation of Industrial Structure and Positive Industrial Adjustment

Positive industrial adjustment must be promoted to encourage the international division of labor. To this end, it is necessary while paying due consideration to the impact on small- and medium-sized businesses, to promote actively the transformation of the nation's industrial structure. In this connection, the structural reforms now being promoted under current laws should be accelerated. Taking account of the serious impact on local economies, coal mining policy should be reviewed with a view to lowering the level of domestic output drastically and increasing imports. Also, in promoting industrial restructuring, it is important to encourage technological research and development, the growing diffusion and application of information technology in the economy and society and the development of the service sector accelerated by the greater availability of free time and diversification of consumption patterns.

(2) Promoting Direct Investment

Direct overseas investment plays an important role in rectifying Japan's external economic imbalances and in promoting the host country's economic development. Overseas investment has been expanding rapidly in recent years and, with due consideration to the impact on domestic employment and the economy, this should be further encouraged. Accordingly, conclusion of bilateral agreements concerning protection of investment should be encouraged, overseas investment insurance schemes should be improved, and participation in multilateral investment guarantee agency (MIGA) should be undertaken and other governmental measures to support overseas investment should be reinforced. It is also necessary to expand economic cooperation to improve the environment for investment in the developing countries.

Foreign investment in Japan should also be encouraged with improved conditions for financial assistance, increased supply of information, and other measures. Furthermore, industrial cooperation should be actively promoted including technology exchanges and cooperation in third-country markets, especially the setting up of a private-sector-led institution for industrial cooperation for the purpose of enhancing personnel exchanges should be encouraged.

(3) Promoting Agricultural Policies Befitting to an Age of Internationalization

In order to achieve maximum productivity with and conditions and other constraints, the government should have a clear perspective for Japan's agriculture in the future. To this end, the government should work to achieve a thorough structural improvement, thereby promoting agricultural policies befitting an 'age of internationalization.' In so doing, priorities should be given to the policies focused on fostering core farmers for the future, and price policies should be reviewed and rationalized toward greater use of market mechanisms and active promotion of structural policies.

With the exception of basic farm products, efforts should be made toward a steady increase in imports of products (including agricultural processed products) whose domestic prices and the international market prices differ markedly. These price disparities should be reduced while agriculture should be rationalized and made more efficient.

with regard to products subject to quantitative import restirctions, efforts hould be made to improve market access under the future perspective for making the Japanese market more open while taking account of developments in the relevant consultations and hegotiations including the GATT New Round.

3. Further Improving Market Access and Encouraging Imports of Manufactured Goods

(1) Further Improving Market Access

Full implementation of the Action Program for Improved Market Access should be promoted in the areas of tariffs, import restriction, standards and certification, and government procurement and so on. Also, the Office of Trade and Investment Ombudsman (O.T.O.) should be reinforced including the study of the possibility of giving a legal basis to it in order to further improve market access.

(2) Encouraging Imports of Manufactured Goods

Further active efforts should be made to encourage imports of manufactured goods together with steady implementation of various structural measures, including overseas investment which will contribute to the international division of labor such as local production and expanded imports of semi-finished and finished products. Together with promoting the streamlining of distribution mechanisms and conducting review of the various restrictions pertaining to distribution and sales, efforts should also be made to ensure the strict enforcement of the antimonopoly law for the prevention of unfair business transactions and to strengthen domestic arrangements to eliminate illegal acts with regard to foreign trademarks and counterfeit products.

This should be done with special attention to monitoring the registration of international contracts dealing harshly with unfair or exclusive trading practices and checking that nothing is done to unfairly prevent parallel imports. Along with seeking to expand import promotion policies through intensifying consumer-directed import promotion campaigns and ensuring the complete availability abroad of information on the Japanese market and distribution systems, efforts should be made to promote expanded economic cooperation and private-sector technology transfers to contribute to expanded imports of manufactured goods from developing countries.

(3) Prudent Behavior of Private Companies

Considering the strong possibility of frictions caused by the behavior of private companies which tend to pursue expanded market share at all cost, it is hoped that Japanese companies will behave in awareness of their international responsibilities.

4. Stabilization of Exchange Rates and Liberalization and Internationalization of Financial and Capital Markets

(1) Stabilizing and Sustaining Appropriate Exchange Rates

In achieving a proper balance between domestic and external demands it is essential that exchange rates be stable and in line with economic fundamentals. While the government needs to place emphasis on exchange rate stability in its policy management, this goal cannot be achieved by Japanese policy efforts alone and international efforts are needed.

Under the present circumstances, arrangements for stability must be considered within the framework of floating exchange rates and elimination of major disparities in the economic performance of the leading industrialized countries is the underlying basis of exchange rate stability. There is, therefore, a clear need for a high level of policy coordination among these countries. However, since there is no guarantee that exchange rates will always reflect the fundamentals, cooperation and intervention by the countries concerned can be effective tools for correction.

While ensuring international compatibility of basic economic policy, it is important that efforts be made to build upon the accumulated experiences of international cooperation in developing a framework for future stability.

(2) Liberalization of Financial and Capital Markets and Internationalization of the Yen

With the liberalization of financial and capital transactions, transactions now take place on a global scale and Japan should ensure that its financial and capital markets are commensurate with its economic importance. This will also facilitate the internationalization of the yen. Thus efforts should be made to further liberalize financial and capital transactions and to expand transactions by nonresidents both for financing and for investment.

Internationalization in the latter respect has been relatively slow in Japan. It is now essential to develop investment facilities for funds from abroad so as to achieve a better balance between financing and investment.

a) Strengthening Investment Markets

a. There is a need to diversify investment instruments and particularly the development of short-term financial markets is an urgent task.

b. The expansion and strengthening of secondary markets and the internationalization of trading requires international compatibility of market arrangements and trading practices in particular. With respect to taxation with due attention to the international point of view.

5. Promotion of International Cooperation and Japan's Contribution to the World Economy Commensurate with its International Status

The following policies should be implemented to promote international cooperation and to contribute to the world economy while appropriate measures on necessary financial resources should be taken.

(1) Promotion of International Cooperation

A. Expanding Imports from Developing Countries

Efforts should be made to encourage imports of manufactured goods from developing countries through such means as technology transfer and expanded investment from Japan which will contribute to promoting improvements in the export industries of developing countries and further cooperation with their market penetration efforts.

B. Alleviation of the Debt Problem

Japan should work in cooperation with other leading industrialized countries to promote efforts for lower interest rates, to increase the official financial flow to developing countries, to strengthen the financial basis of multilateral development banks as well as to further improve their efficiency, and to give consideration to the impact of the debt problem of developing countries on private financial institutions.

C. Promoting Economic and Technical Cooperation

Every effort should be made to achieve as early as possible the current medium-term target to expand Japan's Official Development Assistance (ODA). It is also important that the non-government organizations (NGS) be mobilized in this effort. As for the contents of economic and technical cooperation, it is necessary to expand techaical assistance, place emphasis on training of assistance personnel, improve the grant element, restrain mixed credits, and promote untied aid.

D. Promoting International Exchanges in the Fields of Science and Technology and Culture

Japan should actively contribute to the creation of new science and technology for the twenty-first century as well as promote research and development in basic science and technology. Japan should promote international research cooperation in these fields.

Efforts should be made to promote Japanese language education and Japanese studies overseas to support personnel exchanges and to strengthen international broadcasting. Efforts must also be made to adapt to the age of Internationalization such as by opening doors of academic and research institutions to foreigners, arranging to accept more foreign teachers and students, and to accommodate Japanese students returning from overseas.

(2) Active Promotion of the GATT New Round

While responding positively to the matters of interest to developing countries, the government should actively participate in the establishment of international rules in such new fields as trade in services and intellectual property rights. The government should also seek to improve the GATT rules and strengthen the GATT system in order to restore the credibility of the GATT. It is hoped that the government will actively conduct negotiations on tariffs in accordance with the decision in the Action Program with regard to tariffs of industrial products.

6. On Fiscal and Monetary Policy Management

In the implementation of these recommendations, fiscal and monetary policies have a significant part to play. In implementing fiscal policy, it is necessary to maintain the basic policy stance of fiscal reform to end its dependency on deficit-financing bonds and also to respond flexibly in an effort to achieve economic and social balance on a medium- and long-term basis with creative efforts for the appropriation of fiscal resources with effectiveness and priority for the mobilization of private-sector vitality and for deregulation.

The tax system should be reviewed from the perspectives of equity, fairness, simplicity, economic vitality, and choice as well as from an international point of view. The preferential tax treatment for savings, in particular, should be fundamentally reviewed in light of these principles, including abolition of the tax exemption of interest on small-amount savings.

While ensuring stability, flexible management of monetary policy is necessary in order to respond to economic and domestic demand.

7. Follow-Up

The group strongly hopes that the government will make necessary examinations on these recommendations as soon as possible and take necessary measures for their implementation. The group further hopes that government arrangements will be made so that appropriate follow-up will be done for the implementation of these measures.

III. Conclusion

The government obviously has a very important role to play in transforming Japan's social and economic structures for greater harmony with the international community. But each and every Japanese should also be fully aware that Japan cannot develop unless it also contributes actively to the international community. It is imperative that every effort be made for attainment of this national goal.

The group thus very much hopes that the government will make every effort to implement these recommendations with the full understanding and support of the entire nation.

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The Second "Maekawa" Report

Summary Report of the Economic Council's Special Committee on Economic Restructuring

April 23, 1987

Introduction

Japan is today posting large current account surpluses, and there are signs of intensifying economic friction with other countries. This imbalance cannot be allowed to continue, either for the Japanese economy itself or for the harmonious development of the world economy. This situation having arisen in an interdependent world economy, Japanese policy responses alone cannot rectify this imbalance. International policy coordination is also needed, including reductions in the United States fiscal deficit. Nevertheless, as a country largely dependent upon free trade, a country accounting for one-tenth of the world GNP, and the world's largest creditor nation, Japan must take the initiative in rolling back protectionism and defending the free trade system by seeking to achieve an internationally harmonious external balance and to make a positive contribution to the international community.

Looking inward, it is questionable whether or not Japan's economic growth is reflected in the quality of Japanese life: housing standards are low, the cost of living high, and working hours long. With the yen's recent appreciation, a yawning gap has developed between our personal perceptions of the yen's value in everyday life and its value on exchange markets. The people have thus begun to wonder whether the yen's strength is reflected in their own standard of living. As the yen has appreciated since September 1985, this has generated friction in a number of areas and this friction has in turn given rise to popular anxiety about Japan's economic future. The promotion of economic restructuring must be premised upon popular understanding that this restructuring will contribute to the quality of their lives.

Since the announcement of the Report of the Advisory Group on Economic Restructuring for the International Harmony in April 1986, the government has sought to flush out the specifics of the Report's recommendations. The government announced its Outline of Procedures for the Promotion of Economic Restructuring in May, and the Government-Ruling Party Joint Headquarters for the Promotion of Economic Restructuring was established, headed by the Prime Minister. As a result, specific policies are being formulated for revising the preferential tax treatment for savings, improving the tax treatment for housing acquisition, reducing legal limits on working hours, cutting back on domestic coal output, establishing an offshore financial market, and more. Efforts have also been made to respond with flexible fiscal and monetary policies under the Comprehensive Economic Measures and other initiatives. However, we have just begun on the long road to economic restructuring, and promoting economic restructuring which ensures both international harmony and better-quality Japanese living simultaneously is increasingly imperative and increasingly urgent.

Given this situation, this Committee was requested by the Economic Council on September 5, 1986, to conduct a study of the policies needed for medium- and long-term economic restructuring. Having held a total of 43 meetings since receiving its mandate eight months ago, the Committee is pleased to be able to present its final report. We call upon the government to work to promptly study and implement specific policies for the promotion of economic restructuring.

(2) Instituting radically preferential tax treatment for housing acquisition and the like, an effort should also be made to further enhance and improve home financing and other incentives.

(3) On the supply side, there is a need to institute creative competition-promotion policies including encouraging more firms to enter the housing market.

2. Improving Social Capital

(1) Looking ahead to the twenty-first century, it is important that we work steadily and systematically to raise the quality of the Japanese social capital commensurate with Japan's international status.

(2) Achieving balanced enhancement of social capital demands that public and private sectors work with an appropriate sharing of financing and that the necessary public moneys be secured.

(3) In enhancing social capital, it is imperative that the tradition allocation be reassessed and priority allocation promoted.

(4) In drawing on private-sector vitality, it is important that dramatic incentives be provided.

3. Land Policy

(1) The enhancement of housing and social assets hinges upon finding a solution to the land problem.

(2) It is thus fundamentally important that efficient use be made of national land resources through promoting the broader dispersion of industrial and other facilities for balanced national development.

(3) Land policy issues are inexorably linked to urban policy issues, and it is imperative that reform of large cities be actively promoted via redevelopment of urban areas.

(4) An effort should be made to promote the conversion from agricultural to residential land by taxing agricultural land in urbanization promotion areas to more closely approximate the taxation of residential land.

(5) Efforts should be made to expand the supply of residential land with rezoning and an ambitious effort to landfill public waters.

4. Consumption

(1) There is a considerable gap between Japan's per-capita GNP and popular perceptions from everyday life. An effort will thus be made to reduce the differential between Japanese and international prices and hence to close this gap.

(2) The benefits of the yen's appreciation should be used to spur domestic demand. This is especially important in sectors subject to public regulation.

(3) Stimulating consumption basically demands steady growth in real disposable income under conditions of sustained economic growth and price stability.

(4) Economic growth should be reflected in increased wage rates and shorter working hours.

II. Shorter Working Hours

(1) The shortening of working hours is important for enhancing national standards of living, for stimulating consumption, and for maintaining employment.

(2) An effort should be made to reduce Japanese working hours to about 1,800 hours per year as soon as possible and no later than the end of the century (as with five-day workweeks and 20 paid days off per year).

(3) It is important to ambitiously promote the five-day workweek by, for example, having government offices and financial institutions close on Saturdays.

III. Internationally Harmonious Industrial Structure

1. Efforts for Industrial Restructuring

(1) Industrial restructuring must be premised upon market mechanisms, and the government's response must not entail involvement in specific industries but must be restricted to easing the pain of restructuring.

(2) This process of industrial restructuring is a process of increasing industrial sophistication. While working to create a climate conducive to the full exercise of public and corporate vitality, we should facilitate this restructuring.

(3) Rather than see the present as a time of "hollowization" and seek to forestall it, we should push ahead with forward-looking responses.

2. Direct Overseas Investment

(1) Japanese direct overseas investment will contribute to increased horizontal division of labor and expand both production and employment in the host countries.

(2) This will also contribute to reducing Japan's current account surplus.

3. Enhancing Competitive Conditions

(1) In such fields as distribution, financial services, construction, agriculture, transportation, and telecommunications, it is necessary to work for greater efficiency and productivity through promoting far-reaching deregulation, further improved market access for import expansion, the use of investment in Japan, and other means.

(2) Some regulations in distribution have outlived their justification, and there is a need to fundamentally review the licensing regulations.

(3) Positive efforts should be made to ensure that foreign companies do business in the Japanese construction market.

(4) Efforts should be made to make the petroleum industry more rational and more efficient with step-by-step deregulation.

4. Expanding Imports and Improving Market Access

(1) Achieving an internationally harmonious import-export structure is prerequisite to rectifying the external imbalance.

(2) Further efforts should be made to reduce the number of products subject to the standards and certification systems, to reduce the number of standards themselves, and to promote improved market access.

(3) An effort should be made to promote the abolition of the tariffs on manufactures in the GATT Uruguay Round.

(4) An effort should be made to improve the government procurement system and to promote governmental imports of manufactured goods.

(5) Japan will take an active role in promoting the GATT Uruguay Round, including services, agricultural products, and other fields.

5. Agriculture Policies Befitting an Era of Internationalization

(1) Efforts to promote agricultural policy must give full consideration not only to producers but also to consumers and the food industry.

(2) An effort should be made to reduce the differential between Japanese and overseas prices and to achieve stable foodstuff supplies at popularly acceptable prices by improving productivity and promoting imports as appropriate.

(3) Efforts should be made to expand operational scale and improve productivity for greater value-added production to establish agriculture as a viable industry.

(4) Responsive to the diversification of consumer requirements, efforts should be made to improve government controls so as to expand trading in independent-market rice, to introduce competitive principles in all stages from collecting to marketing.

(5) While seeking to make Japanese production more rational and more efficient, an effort should be made to hold border adjustment measures to a minimum for non-rice agricultural products.

IV. Responses to Unemployment

1. Employment is the most important issue in industrial restructuring.

2. The process of industrial restructuring may well generate unemployment arising from the supply-demand imbalance among industries, occupations, age groups, geographic locations, etc. Comprehensive employment policies are needed to facilitate labor mobility and develop expanded employment opportunities.

3. In the longer term, we should work to become a vigorous long-lived society through Japanese-style work-sharing involving shorter work hours and the redistribution of employment across generational and other lines.

V. Responses for Regional Economies

1. It is imperative that structurally depressed regions receive priority allocation of public works projects to alleviate occupational changes and other pains of restructuring.

2. Efforts should be made to promote the creation of employment and other regional employment policies through encouraging the shift to new industries.

3. In light of the fact that information- and service-oriented industries and other urban industries will be the mainstay of development, there is a need to promote the creation of attractive regional urban centers.

4. As part of this effort, information and telecommunications infrastructures should be improved, heliports and other high-speed transport network facilities created, and the amenities of life provided in full.

VI. Contributions to a Better World

1. Japan will make a positive effort to roll back protectionist pressures and to preserve and strengthen the existing free trade system by actively promoting the Uruguay Round.

2. It is imperative that Japan respond positively to resolving the problems of excessive external indebtedness within the framework of international cooperation, including responding to the debtor countries' capital needs and working to lighten their interest burden.

3. Every effort should be made to promptly attain the Medium-Term Target for Official Development Assistance (ODA) at an early stage so as to raise the ratio of ODA to GNP and to work for ODA's quantitative enhancement. Efforts will also be made to involve private-sector capital and personnel more in economic cooperation through a variety of means.

4. Japan will contribute actively to international cooperation in basic research and international public works projects.

5. Japan will work to revitalize and internationalize Japanese education with expanded acceptance of foreign educators and educational and research institutions.

Chapter 3. Immediate Action for Restructuring

Although restructuring is a long-term national goal, it is imperative that efforts be concentrated in the next few years to achieve restructuring in view of the existing situation in Japan and overseas. In this context, the following recommendations should be implemented immediately and the expected results achieved within a certain period.

I. Deregulation

1. Fundamental review of regulations by a new organization with a view to pursuing thorough economic deregulation in the domestic economy and market access.

2. Relaxation of regulations in distribution and finance sectors and in petroleum and other industries.

3. Positive efforts to ensure that foreign companies do business in Japan's construction market.

II. Active Use of Fiscal Policy

Implementation of extraordinary and urgent fiscal measures to cope with the current economic situation while observing the basic spirit of administrative and fiscal reform and reaping the benefits of the progress made.

III. Housing Policy, Land Policy, and Improving Social Capital

1. Priority allocation of public funds for housing.

2. Reform of large cities via redevelopment of urban areas, etc.

3. Promoting the conversion of land from agricultural to residential purposes by taxing agricultural land in urbanization promotion areas to more closely approximate the taxation of residential land, positively reviewing rezoning, and other means.

4. Improvement and expansion of the residential environment, the infrastructure in such areas as telecommunications and information, and high-speed transportation networks in regional urban centers.

5. Priority allocation of public works projects.

IV. Stepped-up Imports of Manufactured Goods

1. Promoting the abolition of tariffs on manufactured products in the GATT Uruguay Round.

2. Improving the government procurement system and promoting governmental imports of manufactured goods.

V. Agriculture

1. Reducing the differential between Japanese and overseas foodstuff prices by raising productivity and promoting imports.

2. Improving the existing food supply and demand system under government control by introducing competitive principles in all stages from collection to marketing.

VI. Shorter Working Hours

1. Moving to reduce total working hours to 1,800 per year.

2. Promotion of the five-day week for civil servants and personnel in financial institutions (including closing their offices on Saturdays).

VII. Economic Cooperation

Prompt attainment of the Medium-Term Target for ODA and raising the ratio of ODA to GNP (including advancing the target for doubling ODA from seven years by two years).

In promoting these policy measures, it is imperative that all due consideration be paid to the impact on employment and local economies.

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